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DEPARTMENT OF EDUCATION

34 CFR Part 36

RIN 1801-AA16

[Docket ID ED-2016-OGC-0051]

Adjustment of Civil Monetary Penalties for Inflation

AGENCY: Department of Education.

ACTION: Final regulations.

SUMMARY: The Department of Education (Department) issues these final regulations to adjust the Department's civil monetary penalties (CMPs) for inflation. An initial "catch-up" adjustment was required by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015 (2015 Act), which amended the Federal Civil Penalties Inflation Adjustment Act of 1990 (Inflation Adjustment Act). These final regulations provide the 2017 annual inflation adjustments to the initial "catch-up" adjustments we made on August 1, 2016, through an interim final rule (IFR).

DATES: These regulations are effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. The adjusted CMPs established by these regulations are applicable only to civil penalties assessed after [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER] whose associated violations

occurred after November 2, 2015. For a description of the CMPs applicable under other circumstances, see the SUPPLEMENTARY INFORMATION section.

FOR FURTHER INFORMATION CONTACT: Levon Schlichter, U.S. Department of Education, Office of the General Counsel, 400 Maryland Avenue, SW., Room 6E235, Washington, DC 20202-2241. Telephone: (202) 453-6387 or by email: levon.schlichter@ed.gov.

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#### SUPPLEMENTARY INFORMATION:

##### Background:

The Inflation Adjustment Act (28 U.S.C. 2461 note) provides for the regular evaluation of CMPs to ensure that they continue to maintain their deterrent value. The Inflation Adjustment Act required that each agency issue regulations to adjust its CMPs beginning in 1996 and at least every four years thereafter. The Department published its most recent cost adjustment to each CMP in

the Federal Register on October 2, 2012 (77 FR 60047), and those adjustments became effective on the date of publication.

The 2015 Act (section 701 of Pub. Law 114-74) amended the Inflation Adjustment Act to improve the effectiveness of CMPs and to maintain their deterrent effect.

The 2015 Act requires agencies to: (1) adjust the level of CMPs with an initial "catch-up" adjustment through an IFR; and (2) make subsequent annual adjustments for inflation. Catch-up adjustments are based on the percentage change between the Consumer Price Index for all Urban Consumers (CPI-U) for the month of October in the year the penalty was last adjusted by a statute other than the Inflation Adjustment Act, and the October 2015 CPI-U. Annual inflation adjustments are based on the percentage change between the October CPI-U preceding the date of each statutory adjustment, and the prior year's October CPI-U.<sup>1</sup>

The Department published an IFR with the initial "catch-up" penalty adjustment amounts on August 1, 2016 (81 FR 50321). These adjustments are currently in effect and apply to all CMPs covered by the Inflation Adjustment Act. We did not receive any public comments on this IFR.

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<sup>1</sup> If a statute that created a penalty is amended to change the penalty amount, the Department does not adjust the penalty in the year following the adjustment.

A CMP is defined in the Inflation Adjustment Act as any penalty, fine, or other sanction that is (1) for a specific monetary amount as provided by Federal law, or has a maximum amount provided for by Federal law; (2) assessed or enforced by an agency pursuant to Federal law; and (3) assessed or enforced pursuant to an administrative proceeding or a civil action in the Federal courts.

The formula for the amount of a CMP inflation adjustment is prescribed by law, as explained in OMB Memorandum M-16-06 (February 24, 2016), and is not subject to the exercise of discretion by the Secretary of Education (Secretary). Under the 2015 Act, the Department was required to use, as the baseline for adjusting the CMPs in the IFR, the CMP amounts as they were most recently established or adjusted under a provision of law other than the Inflation Adjustment Act. In accordance with the 2015 Act, we did not use the amounts set out in 34 CFR part 36 in 2012 in the formula used in the IFR to adjust for inflation because those CMP amounts were updated pursuant to the Inflation Adjustment Act.<sup>2</sup> Instead, the baselines we

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<sup>2</sup> As originally enacted, the Inflation Adjustment Act limited the first increased adjustment, which we made through regulation, to a maximum of 10 percent. This 10 percent limitation affected the increase we last made in the 2012 rulemaking. In the 2015 Act, Congress determined that limiting the first adjustments to 10 percent reduced the effectiveness of the penalties, so the 2015 Act requires us to use the statutory amounts as our baseline.

used in the IFR were the amounts set out most recently in each of the statutes that provide for civil penalties. Using these statutory CMPs, we determined which year those amounts were originally enacted by Congress (or the year the statutory amounts were last amended by the statute that established the penalty) and used the annual inflation adjustment multiplier corresponding to that year from Table A in OMB Memorandum M-16-06. We then rounded the number to the nearest dollar and checked, as required by the Inflation Adjustment Act, to see if that adjusted amount exceeded 150 percent of the CMP amount that was established under 34 CFR part 36, and in effect on November 2, 2015. If any of the amounts exceeded 150 percent, we were required to use the lesser amount (the 150 percent amount). All of the adjusted amounts were less than 150 percent so we did not have to replace any of the amounts we calculated using the multiplier from Table A of OMB Memorandum M-16-06 with the lesser amount.

In these final regulations, we adjust each CMP amount provided in the IFR by a factor of 1.01636, as directed by OMB Memorandum M-17-11.

Effective Dates:

The precise penalty amount that will apply to violations occurring before [INSERT DATE OF PUBLICATION IN

THE FEDERAL REGISTER], the effective date of this final rule, depends on when the violation occurred and also when we assessed the penalty for the violation. For all violations occurring on or before November 2, 2015, the applicable penalty amount is the amount set forth in 34 CFR 36.2 prior to August 1, 2016 (the IFR publication date). For violations occurring after November 2, 2015, in general, there are three potential amounts that could apply: (1) the amount as set forth in 34 CFR 36.2 before August 1, 2016;<sup>3</sup> (2) the amount set forth in 34 CFR 36.2 after publication of the IFR on August 1, 2016; or (3) the amount set forth in 34 CFR 36.2 through this final rule. The following chart shows which amount applies based on the assessment date for violations after November 2, 2015:

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<sup>3</sup> There may be an unusual circumstance where the amount set forth in the prior regulations was superseded by a statute before August 1, 2016, in which case the statutory amount would apply. However, we have been unable to identify an instance where a statutory amendment superseded the regulatory amount in this timeframe.

DATE OF ASSESSMENT	Assessment after [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER] (final rule publication date)	Assessment between August 1, 2016 (IFR publication date) and [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER] (final rule publication date)	Assessment prior to August 1, 2016 (IFR publication date)
APPLICABLE RULE	This final rule	2016 IFR	34 CFR 36.2 as it existed before August 1, 2016

#### The Department's Civil Monetary Penalties

The following analysis calculates new CMPs for penalty statutes in the order in which they appear in 34 CFR 36.2. The 2015 Act provides that any increase to an agency's CMPs applies only to CMPs that are assessed after the effective date of the adjustments, including those whose associated violation predated such increase. These regulations are effective [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Therefore, the adjustments to the Department's CMPs made by these final regulations apply only to violations that are assessed after [INSERT DATE OF PUBLICATION IN THE FEDERAL REGISTER].

Statute: 20 U.S.C. 1015(c) (5) .

Current Regulations: The CMP for 20 U.S.C. 1015(c) (5) (Section 131(c) (5) of the Higher Education Act of 1965, as amended (HEA)), as last set out in statute in 1998 (Pub. Law 105-244, title I, §101(a), Oct. 7, 1998, 112 Stat. 1602), is a fine of up to \$25,000 for failure by an institution of higher education (IHE) to provide information on the cost of higher education to the Commissioner of Education Statistics. In the IFR, we increased this amount to \$36,256.

New Regulations: The new penalty for this section is \$36,849.

Reason: Using the multiplier of 1.01636 from OMB Memorandum M-17-11, the new penalty is calculated as follows:  $\$36,256 \times 1.01636 = \$36,849.15$ , which makes the adjusted penalty \$36,849, when rounded to the nearest dollar.

Statute: 20 U.S.C. 1022d(a) (3) .

Current Regulations: The CMP for 20 U.S.C. 1022d(a) (3) (Section 205(a) (3) of the HEA), as last set out in statute in 2008 (Pub. Law 110-315, title II, §201(2), Aug. 14, 2008, 122 Stat. 3147), provides for a fine of up to \$27,500 for failure by an IHE to provide information to the State



and the public regarding its teacher-preparation programs.  
In the IFR, we increased this amount to \$30,200.

New Regulations: The new penalty for this section is  
\$30,694.

Reason: Using the multiplier of 1.01636 from OMB  
Memorandum M-17-11, the new penalty is calculated as  
follows:  $\$30,200 \times 1.01636 = \$30,694.07$ , which makes the  
adjusted penalty \$30,694, when rounded to the nearest  
dollar.

Statute: 20 U.S.C. 1082(g).

Current Regulations: The CMP for 20 U.S.C. 1082(g)  
(Section 432(g) of the HEA), as last set out in statute in  
1986 (Pub. Law 99-498, title IV, §402(a), Oct. 17,  
1986, 100 Stat. 1401), provides for a fine of up to \$25,000  
for violations by lenders and guaranty agencies of Title IV  
of the HEA, which authorizes the Federal Family Education  
Loan Program. In the IFR, we increased this amount to  
\$53,907.

New Regulations: The new penalty for this section is  
\$54,789.

Reason: Using the multiplier of 1.01636 from OMB  
Memorandum M-17-11, the new penalty is calculated as  
follows:  $\$53,907 \times 1.01636 = \$54,788.92$ , which makes the

adjusted penalty \$54,789, when rounded to the nearest dollar.

Statute: 20 U.S.C. 1094(c)(3)(B).

Current Regulations: The CMP for 20 U.S.C. 1094(c)(3)(B) (Section 487(c)(3)(B) of the HEA), as set out in statute in 1986 (Pub. Law 99-498, title IV, §407(a), Oct. 17, 1986, 100 Stat. 1488), provides for a fine of up to \$25,000 for an IHE's violation of Title IV of the HEA or its implementing regulations. Title IV authorizes various programs of student financial assistance. In the IFR, we increased this amount to \$53,907.

New Regulations: The new penalty for this section is \$54,789.

Reason: Using the multiplier of 1.01636 from OMB Memorandum M-17-11, the new penalty is calculated as follows:  $\$53,907 \times 1.01636 = \$54,788.92$ , which makes the adjusted penalty \$54,789, when rounded to the nearest dollar.

Statute: 20 U.S.C. 1228c(c)(2)(E).

Current Regulations: The CMP for 20 U.S.C. 1228c(c)(2)(E) (Section 429 of the General Education Provisions Act), as set out in statute in 1994 (Pub. Law 103-382, title II, §238, Oct. 20, 1994, 108 Stat. 3918), provides for a fine of up to \$1,000 for an educational organization's failure

to disclose certain information to minor students and their parents. In the IFR, we increased this amount to \$1,591.

New Regulations: The new penalty for this section is \$1,617.

Reason: Using the multiplier of 1.01636 from OMB Memorandum M-17-11, the new penalty is calculated as follows:  $\$1,591 \times 1.01636 = \$1,617.03$ , which makes the adjusted penalty \$1,617, when rounded to the nearest dollar.

Statute: 31 U.S.C. 1352(c)(1) and (c)(2)(A).

Current Regulations: The CMPs for 31 U.S.C. 1352(c)(1) and (c)(2)(A), as set out in statute in 1989, provide for a fine of \$10,000 to \$100,000 for recipients of Government grants, contracts, etc. that improperly lobby Congress or the Executive Branch with respect to the award of Government grants and contracts. In the IFR, we increased these amounts to \$18,936 to \$189,361.

New Regulations: The new penalties for these sections are \$19,246 to \$192,459.

Reason: Using the multiplier of 1.01636 from OMB Memorandum M-17-11, the new minimum penalty is calculated as follows:  $\$18,936 \times 1.01636 = \$19,245.79$ , which makes the adjusted penalty \$19,246, when rounded to the nearest dollar. The new maximum penalty is calculated as follows:

$\$189,361.00 \times 1.01636 = \$192,458.95$ , which makes the adjusted penalty \$192,459, when rounded to the nearest dollar.

Statute: 31 U.S.C. 3802(a)(1) and (a)(2).

Current Regulations: The CMPs for 31 U.S.C. 3802(a)(1) and (a)(2), as set out in statute in 1986 (Pub. Law 99-509, title VI, §6103(a), Oct. 21, 1986, 100 Stat. 1937), provide for a fine of up to \$5,000 for false claims and statements made to the Government. In the IFR, we increased this amount to \$10,781.

New Regulations: The new penalty for this section is \$10,957.

Reason: Using the multiplier of 1.01636 from OMB Memorandum M-17-11, the new penalty is calculated as follows:  $\$10,781 \times 1.01636 = \$10,957.38$ , which makes the adjusted penalty \$10,957, when rounded to the nearest dollar.

Executive Orders 12866, 13563, and 13771

#### Regulatory Impact Analysis

Under Executive Order 12866, the Secretary must determine whether this regulatory action is "significant" and, therefore, subject to the requirements of the Executive order and subject to review by the Office of Management and Budget (OMB). Section 3(f) of Executive

Order 12866 defines a significant regulatory action as an action likely to result in a rule that may--

(1) Have an annual effect on the economy of \$100 million or more, or adversely affect a sector of the economy; productivity; competition; jobs; the environment; public health or safety; or State, local, or tribal governments or communities in a material way (also referred to as "economically significant" regulations);

(2) Create serious inconsistency or otherwise interfere with an action taken or planned by another agency;

(3) Materially alter the budgetary impacts of entitlement grants, user fees, or loan programs or the rights and obligations of recipients thereof; or

(4) Raise novel legal or policy issues arising out of legal mandates, the President's priorities, or the principles stated in the Executive order.

Based on the number and amount of penalties imposed under the CMPs amended in these final regulations, we have determined that this regulatory action will have none of the economic impacts described under the Executive order. These final regulations are required by statute, the adjusted CMPs are not at the Secretary's discretion, and, accordingly, these final regulations do not have any of the

policy impacts described under the Executive order. Because these final regulations are not a significant regulatory action, they are not subject to review by OMB under section 3(f) of Executive Order 12866.

We have also reviewed these regulations under Executive Order 13563, which supplements and explicitly reaffirms the principles, structures, and definitions governing regulatory review established in Executive Order 12866. To the extent permitted by law, Executive Order 13563 requires that an agency--

(1) Propose or adopt regulations only upon a reasoned determination that their benefits justify their costs (recognizing that some benefits and costs are difficult to quantify);

(2) Tailor its regulations to impose the least burden on society, consistent with obtaining regulatory objectives and taking into account, among other things, and to the extent practicable, the costs of cumulative regulations;

(3) In choosing among alternative regulatory approaches, select those approaches that maximize net benefits (including potential economic, environmental, public health and safety, and other advantages; distributive impacts; and equity);

(4) To the extent feasible, specify performance objectives, rather than the behavior or manner of compliance a regulated entity must adopt; and

(5) Identify and assess available alternatives to direct regulation, including economic incentives--such as user fees or marketable permits--to encourage the desired behavior, or providing information that enables the public to make choices.

Executive Order 13563 also requires an agency "to use the best available techniques to quantify anticipated present and future benefits and costs as accurately as possible." The Office of Information and Regulatory Affairs of OMB has emphasized that these techniques may include "identifying changing future compliance costs that might result from technological innovation or anticipated behavioral changes."

We are issuing these final regulations as required by statute. The Secretary has no discretion to consider alternative approaches as delineated in the Executive order. Based on this analysis and the reasons stated in the preamble, the Department believes that these final regulations are consistent with the principles in Executive Order 13563.

Under Executive Order 13771, if the Department proposes for notice and comment or otherwise promulgates a new regulation that is a significant regulatory action under Executive Order 12866, it must identify two existing regulations for elimination. For Fiscal Year 2017, any new incremental costs associated with the new regulation must be fully offset by the elimination of existing costs through the repeal of at least two regulations. These final regulations are not a significant regulatory action. Therefore, the requirements of Executive Order 13771 do not apply.

#### Waiver of Rulemaking and Delayed Effective Date

Under the Administrative Procedure Act (APA) (5 U.S.C. 553), the Department generally offers interested parties the opportunity to comment on proposed regulations. However, the APA provides that an agency is not required to conduct notice-and-comment rulemaking when the agency, for good cause, finds that notice and public comment thereon are impracticable, unnecessary, or contrary to the public interest (5 U.S.C. 553(b)(B)). There is good cause to waive rulemaking here as unnecessary.

Rulemaking is "unnecessary" in those situations in which "the administrative rule is a routine determination, insignificant in nature and impact, and inconsequential to



the industry and to the public.” Utility Solid Waste Activities Group v. EPA, 236 F.3d 749, 755 (D.C. Cir. 2001), quoting U.S. Department of Justice, Attorney General’s Manual on the Administrative Procedure Act 31 (1947) and South Carolina v. Block, 558 F. Supp. 1004, 1016 (D.S.C. 1983).

These regulations merely implement the statutory mandate to adjust CMPs for inflation. The regulations reflect administrative computations performed by the Department as prescribed by the statute, and the Secretary has no discretion in determining the new penalties.

The APA also generally requires that regulations be published at least 30 days before their effective date, unless the agency has good cause to implement its regulations sooner (5 U.S.C. 553(d)(3)). Again, because these final regulations merely implement non-discretionary administrative computations, there is good cause to make them effective on the day they are published.

#### Regulatory Flexibility Act Certification

The Secretary certifies that these regulations will not have a significant economic impact on a substantial number of small entities. The formula for the amount of the inflation adjustments is prescribed by statute and is not subject to the Secretary’s discretion. These CMPs are

infrequently imposed by the Secretary, and the regulations do not involve any special considerations that might affect the imposition of CMPs on small entities.

#### Paperwork Reduction Act of 1995

These regulations do not contain any information collection requirements.

#### Intergovernmental Review

This program is not subject to Executive Order 12372 and the regulations in 34 CFR part 79.

#### Assessment of Educational Impact

Based on our own review, we have determined that these regulations do not require transmission of information that any other agency or authority of the United States gathers or makes available.

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List of Subjects in 34 CFR Part 36

Claims, Fraud, Penalties.

Dated: April 17, 2017.

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Betsy DeVos,  
Secretary of Education.

For the reasons discussed in the preamble, the Secretary amends part 36 of title 34 of the Code of Federal Regulations as follows:

PART 36--ADJUSTMENT OF CIVIL MONETARY PENALTIES FOR INFLATION

1. The authority citation for part 36 continues to read as follows:

AUTHORITY: 20 U.S.C. 1221e-3 and 3474; 28 U.S.C. 2461 note, as amended by §701 of Pub. Law 114-74, unless otherwise noted.

2. Section 36.2 is amended by revising Table I to read as follows:

§36.2 Penalty adjustment.

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Table I, Section 36.2--Civil Monetary Penalty Inflation Adjustments

Statute	Description	New maximum (and minimum, if applicable) penalty amount
20 U.S.C. 1015(c) (5) (Section	Provides for a fine, as set by Congress in 1998, of up to \$25,000 for	\$36,849

131(c)(5) of the Higher Education Act of 1965 (HEA))	failure by an institution of higher education (IHE) to provide information on the cost of higher education to the Commissioner of Education Statistics.	
20 U.S.C. 1022d(a)(3) (Section 205(a)(3) of the HEA)	Provides for a fine, as set by Congress in 2008, of up to \$27,500 for failure by an IHE to provide information to the State and the public regarding its teacher-preparation programs.	\$30,694
20 U.S.C. 1082(g) (Section 432(g) of the HEA)	Provides for a civil penalty, as set by Congress in 1986, of up to \$25,000 for violations by lenders and guaranty agencies of Title IV of the HEA, which authorizes the Federal Family Education Loan Program.	\$54,789
20 U.S.C. 1094(c)(3)(B) (Section 487(c)(3)(B) of the HEA)	Provides for a civil penalty, as set by Congress in 1986, of up to \$25,000 for an IHE's violation of Title IV of the HEA, which authorizes various programs of student financial assistance.	\$54,789
20 U.S.C. 1228c(c)(2)(E) (Section 429 of the General Education	Provides for a civil penalty, as set by Congress in 1994, of up to \$1,000 for an educational organization's failure to	\$1,617

Provisions Act)	disclose certain information to minor students and their parents.	
31 U.S.C. 1352 (c) (1) and (c) (2) (A)	Provides for a civil penalty, as set by Congress in 1989, of \$10,000 to \$100,000 for recipients of Government grants, contracts, etc. that improperly lobby Congress or the Executive Branch with respect to the award of Government grants and contracts.	\$19,246 to \$192,459
31 U.S.C. 3802 (a) (1) and (a) (2)	Provides for a civil penalty, as set by Congress in 1986, of up to \$5,000 for false claims and statements made to the Government.	\$10,957

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